

# Section 538 Guaranteed Rural Rental Housing Program (GRRHP)

## **LOAN PRODUCTS**

- Up to 90% guarantee
- Interest credit (interest rate buy down)

## **ELIGIBLE PURPOSES**

- New construction and acquisition with rehabilitation of at least \$6,500/unit
- Guarantee on permanent financing or a guarantee on construction advances when the lender agrees to finance the permanent loan
- Housing with 5 or more adequate dwellings

## **ELIGIBLE USES**

- All hard costs
- Soft costs - professional services, bond fees, developer's fees, land acquisition and development, financing costs

## **ELIGIBLE BORROWERS**

- Individuals partnerships, non-profit or for-profit corporations
- State and local agencies, Trusts, Indian Tribes

## **ELIGIBLE AREAS**

- Rural areas with a population up to 20,000

## **ELIGIBLE LENDERS**

- Lenders eligible for approval include HUD, Ginnie Mae, Fannie Mae, and Freddie Mac approved multifamily lenders
- Lenders with multifamily lending experience and demonstrated capacity to provide all aspects of loan processing, and asset management functions, including disposition

## **BENEFITS TO LENDERS**

- Up to 90% protection against loan losses
- Credit towards fulfillment of Community Reinvestment Act requirements
- Secondary mortgage market participation
- Loans exempted from lender's legal lending limits

## **LOAN FEATURES**

### ***Loan to Value (LTV)***

- 90% or less of loans made to for-profit entities
- 97% or less of loans made to non-profit entities

### ***Interest Rate***

- Best negotiated rate between lender and borrower fixed over the loan term
- Buy down interest rate of eligible properties to the Long Term Monthly Applicable Federal Rate with annual interest credit payments

### ***Maximum Repayment Term***

- 25 year minimum, 40 year maximum
- 25 year minimum for balloon with 40 year amortization

### ***Minimum and Maximum Loan Amount***

- No limit

## **PROGRAM PARAMETERS**

- Housing is available to families or persons whose income at initial occupancy does not exceed 115% of area median income. After initial occupancy, a tenant's income may exceed these limits.
- Rent (including tenant-paid utilities) for any unit at initial occupancy cannot exceed 30% of 115% of area median income, adjusted for family size
- Average rent (including tenant-paid utilities) for all units in a project cannot exceed 30% of 100% of area median income, adjusted for family size

## **GRRHP REGULATIONS & FORMS**

- The application process will be described in an annual Notice of Funding Availability (NOFA) published in the Federal Register
- Regulations are available online at:  
<http://www.rurdev.usda.gov/regs/hblist.html#hbw6>
- Rural Development State Offices and contact names and numbers are found at :  
[http://www.rurdev.usda.gov/recd\\_map.html](http://www.rurdev.usda.gov/recd_map.html)



Committed to the future of rural communities.